

**NATIONAL ENERGY BOARD**

**KEYSTONE PIPELINE PROJECT**

**PRELIMINARY INFORMATION PACKAGE**

**TRANSCANADA KEYSTONE PIPELINE GP LTD.**

**JULY 2006**

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## **1.0 INTRODUCTION**

### **1.1 Project Overview**

The Keystone Pipeline Project is a proposed crude oil pipeline with a nominal design capacity of 69 200 m<sup>3</sup>/d (435,000 bbl/d) extending from Alberta, Canada to markets in Illinois, United States (U.S.). A map of the Keystone Pipeline Project is provided in Figure 1.

The Canadian portion of the Keystone Pipeline Project (the Project) extends from Hardisty, Alberta to a point near Haskett, Manitoba. The Project involves the acquisition and conversion to oil transmission service of 864 km of existing natural gas pipeline and the construction of 373 km of new oil pipeline. The Project also includes the construction and operation of pipeline operational tanks, pump stations and other related physical works and activities.

Approximately 49 km of new rights-of-way (RoW), not contiguous with or alongside existing RoW, will be required for the new pipeline facilities. A number of watercourse crossings will be required for the construction of the new pipeline facilities in Alberta and Manitoba, the most significant of which are the crossings of the Red Deer and South Saskatchewan rivers in Alberta.

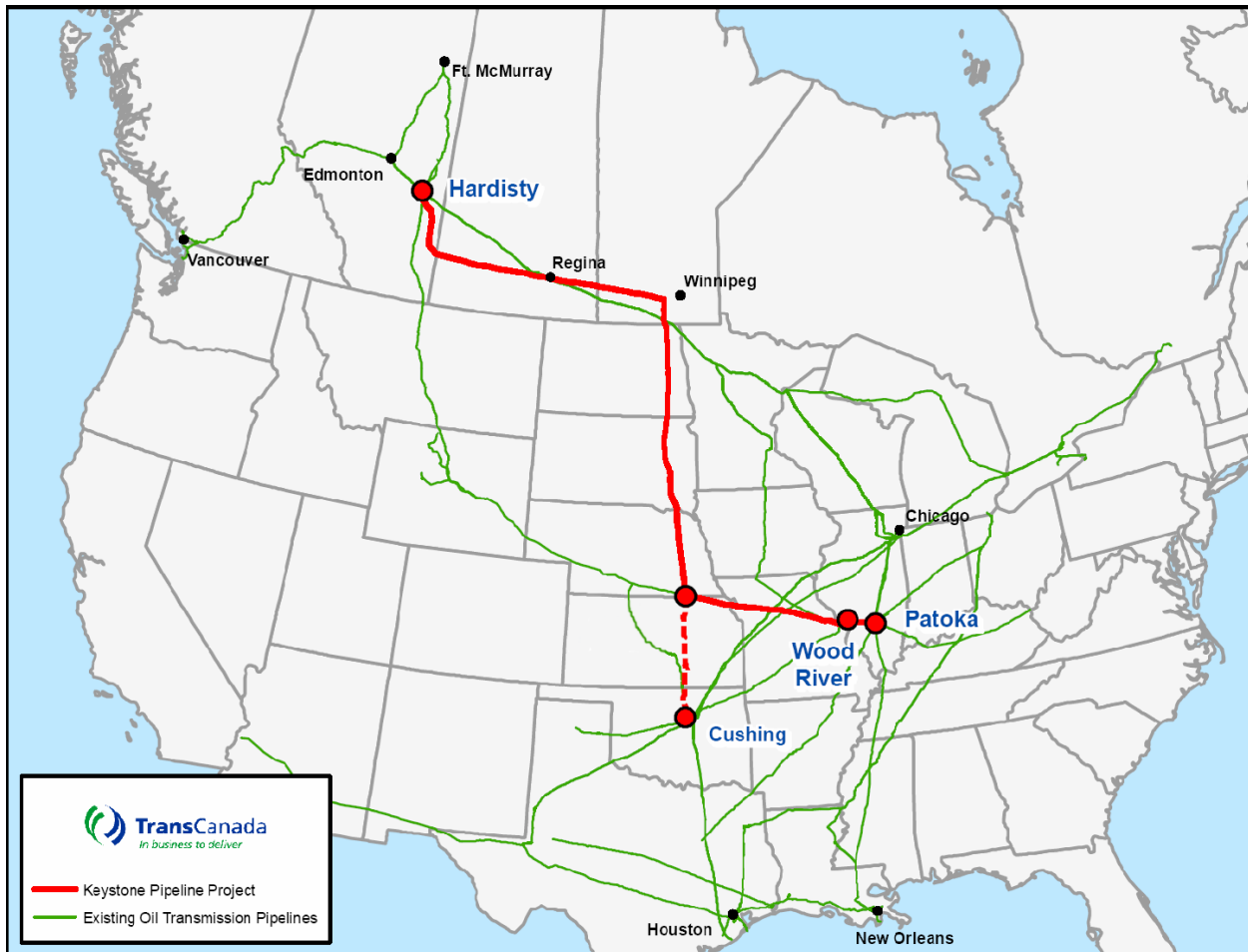
The U.S. portion of the Keystone Pipeline Project consists of 1 727 km of new pipeline routed through North Dakota, South Dakota, Nebraska, Kansas, Missouri and Illinois.

### **1.2 Project Proponent**

The Project will be constructed, owned, and operated by TransCanada Keystone Pipeline GP Ltd. (Keystone). Keystone is a wholly-owned subsidiary of TransCanada PipeLines Limited (TransCanada) and is the general partner acting on behalf of TransCanada Keystone Pipeline Limited Partnership.

TransCanada is a leading North American energy company, competitively positioned in energy transmission and power services. More than 2,350 skilled employees with expert technical knowledge are engaged in operating TransCanada's approximately 41 000 km of existing pipeline facilities. Having owned and operated Canada's largest natural gas pipeline system for more than fifty years, TransCanada has an established track record for operational excellence and has developed and maintained relationships with landowners across its entire North American system.

**Figure 1**  
**Keystone Pipeline Project Map**



### 1.3 Project Benefits

The Project represents an innovative, cost efficient and environmentally responsible approach to meeting the demand for increased crude oil pipeline capacity. It will utilize existing natural gas pipeline infrastructure, follow existing RoWs and co-locate pump stations at established facilities owned and operated by TransCanada. As a result of careful planning, the environmental footprint of the Project and the potential for adverse environmental and socio-economic impacts will be minimized.

### 1.4 Purpose, Content and Distribution of the Preliminary Information Package

The purpose of this Preliminary Information Package (PIP) is to:

- initiate and facilitate an efficient regulatory review of the Project by the National Energy Board (NEB);
- provide sufficient information to enable federal departments to determine whether an environmental assessment under the *Canadian Environmental Assessment Act* (CEAA) is required, and if so, what their respective roles and responsibilities in that assessment will be taking into account the provisions of the *Regulations Respecting the Coordination by Federal Authorities of Environmental Assessment Procedures and Requirements* (Federal Coordination Regulations); and
- facilitate determination of the scope of project and scope of assessment for an environmental assessment under CEAA or the *National Energy Board Act* (NEB Act) by providing information about:
  - relevant regulatory approval processes (Section 2);
  - the proposed Project facilities, including planned construction, operation and maintenance activities (Section 3);
  - the Project's environmental setting, including the biophysical and human components (Section 4); and
  - consultation activities undertaken or planned (Section 5).

The PIP is being distributed to the following agencies:

Agency	Contact Information
National Energy Board	Michel Mantha, Secretary National Energy Board 444 Seventh Avenue SW Calgary, Alberta T2P 0X8
Canadian Environmental Assessment Agency	Bruce Young, Director Place Bell Canada 160 Elgin Street, 22nd Floor Ottawa, Ontario K1A 0H3
	Lanny Coulson, Director Alberta Regional Office Suite 100, Revillon Building 10237-104 Street Edmonton, Alberta T5J 1B1
	Daniel McNaughton, Director Prairie Regional Office 123 Main Street, Suite 445 Winnipeg, Manitoba R3C 4W2

## **2.0 REGULATORY SETTING**

### **2.1 Federal Regulatory and Impact Assessment Requirements**

#### **2.1.1 Federal Authorizations**

##### ***National Energy Board:***

The Project will cross provincial and international boundaries. Accordingly, it is a federal work and undertaking subject to the regulatory authority of the NEB pursuant to the *NEB Act* and the associated regulations, including the *Onshore Pipelines Regulations, 1999*. Required NEB authorizations include:

- a Certificate of Public Convenience and Necessity to construct new crude oil pipeline facilities pursuant to section 52 of the *NEB Act*;
- approval to purchase existing natural gas pipeline facilities from TransCanada pursuant to section 74(1)(b) of the *NEB Act*;
- approval to convert the acquired natural gas pipeline facilities to crude oil service pursuant to section 43 of the *Onshore Pipeline Regulations, 1999*; and
- leave to open the crude oil pipeline facilities pursuant to section 47 of the *NEB Act*.

##### ***Fisheries and Oceans Canada (DFO) and Transport Canada:***

A number of watercourse crossings will be required for the new pipeline construction in Alberta and Manitoba. Depending on the method and circumstances of construction, such crossings may require authorizations from Fisheries and Oceans Canada pursuant to section 35(2) of the *Fisheries Act* and from Transport Canada pursuant to section 5(1) of the *Navigable Waters Protection Act*.

##### ***Environment Canada:***

A permit or agreement pursuant to section 73 of the *Species at Risk Act* may be required if it is determined that the Project will have an incidental effect on a listed wildlife species, any part of such species' critical habitat, or the residences of the critical habitat.

##### ***Indian and Northern Affairs Canada (INAC):***

A portion of the existing natural gas pipeline to be acquired from TransCanada and converted to oil transmission service crosses Carry the Kettle Indian Reserve IR 76.



Although the existing pipeline facilities are authorized pursuant to section 35 of the *Indian Act*, a further authorization will be required for the purposes of the Project.

### **2.1.2 Federal Environmental Assessment Requirements and Process**

#### ***Canadian Environmental Assessment Act (CEAA):***

The NEB and INAC will be required to complete an environmental impact assessment in accordance with the provisions of the *CEAA* before exercising any decision-making authority in relation to the Project. Similarly, depending upon the need for regulatory approvals for water crossings, DFO and Transport Canada may also be required to comply with the provisions of the *CEAA*. Environment Canada will have a role to play in the assessment as a department having special knowledge or expertise.

Keystone submits that the environmental assessment of the Project should proceed by way of a screening. The Project is not of a type listed by either the *Exclusion List Regulations* or the *Comprehensive Study List Regulations*. Keystone's submission is premised on the absence of any public concern warranting a panel review, and its expectation that the impacts associated with the Project are sufficiently certain and not significant taking into account mitigation.

#### ***NEB Act:***

In addition to its obligations as a Responsible Authority under the *CEAA*, the NEB has an independent mandate to consider and take into account potential socio-economic and environmental impacts of the Project under the provisions of the *NEB Act*. Keystone anticipates that the dual responsibilities of the NEB under the *CEAA* and the *NEB Act* will be satisfied through a coordinated process based upon a common environmental impact statement.

### **2.2 Provincial Regulatory and Impact Assessment Requirements**

As a federal work and undertaking subject to the regulatory jurisdiction of the NEB, the Project will not be subject to provincial environmental impact assessment processes. Alberta, Saskatchewan and Manitoba may choose to participate in the federal assessment or regulatory processes to facilitate consideration of any concerns or to provide any advice.

Various authorizations under provincial legislation will be required to undertake activities ancillary to, but necessary for, the construction and operation of the Project. These activities and the relevant provincial legislation will be identified in subsequent regulatory filings.

### **3.0 PROJECT DESCRIPTION**

#### **3.1 General**

The Project has two distinct components:

- construction of new pipeline and other related facilities; and
- utilization of existing pipeline facilities.

Only 49 km of new RoW will be required to construct and operate the 373 km of new pipeline planned collectively for Alberta (270 km), Saskatchewan (3 km) and Manitoba (100 km). Existing pipeline infrastructure and RoW will be utilized for the remainder of the route through Saskatchewan and Manitoba.

Other facilities to be constructed and operated by Keystone are:

- three pipeline operational tanks, each having a capacity of approximately 55 600 m<sup>3</sup> (350,000 bbl);
- an initiating pump station to be located at Hardisty, Alberta;
- fifteen pump stations intermittently spaced along the route to maintain adequate flow through the pipeline; and
- access roads.

Electrical power line interconnects are also required for the operation of the pump stations. These will be constructed, owned and operated by a third party power provider.

The information in this document reflects preliminary project design. Keystone has endeavoured to be accurate in its description of the Project, but all numbers provided are estimates only and subject to change. There may also be changes to the overall Project reflecting ongoing developments, including stakeholder consultation, commercial negotiations, environmental, economic and socio-cultural assessment and regulatory processes.

#### **3.2 New Facilities**

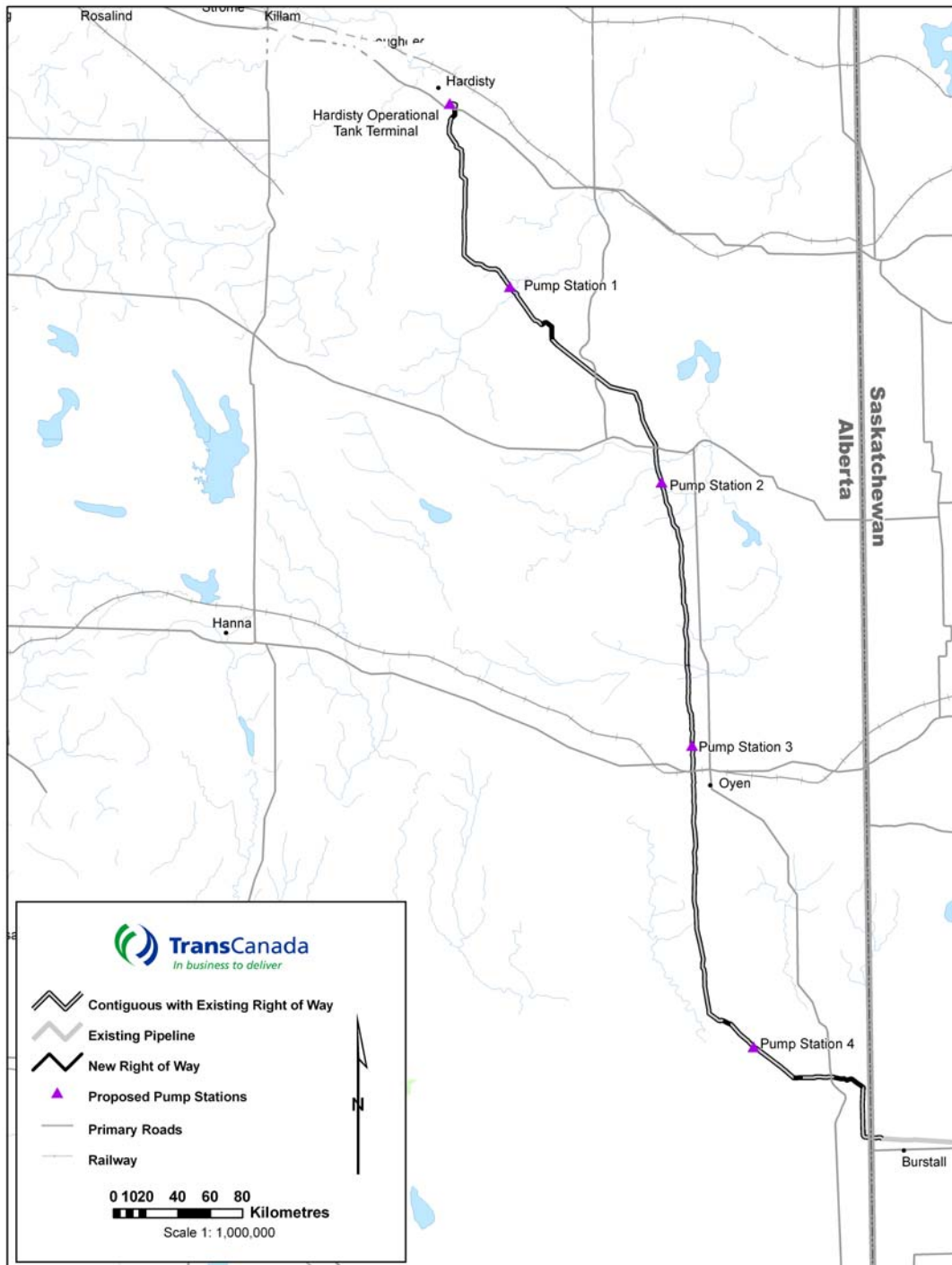
##### **3.2.1 Alberta and Saskatchewan**

The Alberta and Saskatchewan segment of the Project involves the construction and operation of:

- three pipeline operational tanks, each having a capacity of approximately 55 600 m<sup>3</sup> (350,000 bbl);
- 273 km of new pipeline (270 km in Alberta and 3 km in Saskatchewan);
- an initiating pump station located at Hardisty, Alberta; and
- four additional pump stations intermittently spaced along the route.

A map of the Alberta and Saskatchewan segment of the Project is provided in Figure 2.

**Figure 2**  
**Existing and New Pipeline RoW, Terminal and Pump Station Locations on**  
**the New Pipeline Segment in Alberta and Saskatchewan**



***Pipeline Operational Tanks:***

An initiating tankage terminal consisting of three pipeline operational tanks, having a total volume of approximately 159 000 m<sup>3</sup> (1,000,000 bbl), will be constructed at Hardisty, Alberta. These tanks will receive crude oil from incoming pipelines and then marshal the crude oil for transportation on the Project. Thirteen hectares of land is required for these facilities.

The operational tanks will be constructed in accordance with CSA standards and will have a containment system and collection sump. Non-contaminated surface run-off water in the containment area will be tested to ensure compliance with environmental criteria before being released. Water not meeting these criteria will be collected by vacuum trucks and sent for treatment at an approved facility.

***Pipeline:***

A new 760 mm (NPS 30) 270 km pipeline will be constructed from the Hardisty terminal to the Alberta/Saskatchewan border. The pipeline will continue 3 km into Saskatchewan and tie in to a point on TransCanada's existing Mainline Line 100-1 pipeline past the existing TransCanada Mainline Burstall compressor station.

The proposed route for this new pipeline segment is contiguous with existing pipeline RoWs for 253 km of its 273 km length. Specifically, it will follow:

- the Express Pipeline (operated by Kinder Morgan Canada Inc.) south from Hardisty;
- miscellaneous smaller pipelines and flow lines as the route crosses south eastwards through the Neutral Hills area;
- the eastern portion of TransCanada's Alberta System running south from Gooseberry Lake to the intersection with the Alberta Ethane Gathering System RoW;
- the Alberta Ethane Gathering System pipeline (operated by Nova Chemicals) running south eastwards to TransCanada's Mainline system; and
- TransCanada's Mainline Line 100-1 from the Alberta border to a point past the TransCanada Mainline Burstall compressor station.

The remaining 20 km of the new pipeline segment will be constructed on new RoW to accommodate watercourse crossings, sensitive terrain, and environmental issues, or to otherwise address construction issues.

The pipeline will be constructed in a legally-surveyed, 40 metre wide RoW, providing 15 metres of permanent RoW and up to 25 metres of temporary workspace. Additional temporary workspace might be required at road and watercourse crossings and other locations of specialized construction.

Mainline valves will be spaced at intervals along the pipeline to facilitate operational activities. Additional mainline valves will also be located on both sides of major river crossings to expedite closure in the event of a system upset. A pipeline internal inspection launcher will be located at Hardisty and a receiver will be located near the TransCanada Mainline Burstall compressor station. A cathodic protection system, including the construction of anode beds, will be installed for the pipeline, operational tanks and pump stations.

The pipeline system will be designed to operate at two different pressures. The new 760 mm (NPS 30) pipeline will be designed for a Maximum Allowable Operating Pressure (MAOP) of 9930 kPa. The existing 864 mm (NPS 34) pipeline section of the TransCanada Mainline Line 100-1 will operate at its existing MAOP of 6067 kPa. A pressure control station will be located at the end of the new pipeline to provide overpressure protection for the allowable operating pressure of the existing pipeline.

### ***Pump Stations:***

An initiating pump station located at the Hardisty terminal (Hardisty Pump Station) and four additional pump stations along the proposed route will be needed to move crude oil from Hardisty to the Saskatchewan border. Access roads will also be constructed. In addition, new power lines and interconnects to supply power for the electrically driven pump motors will be constructed, owned and operated by independent local power providers.

The Hardisty Pump Station is of primary importance to the functioning of the pipeline system and will have a shelter constructed over the pumping units to enhance performance and facilitate maintenance.

The Hardisty Pump Station and the additional four pump stations will require 1.5 hectares of land each, which includes temporary work space required for construction.

Pump pads will be equipped with drip pans and will be drained to an underground sump. The sumps will be double-walled tanks equipped with warning alarms connected to TransCanada's pipeline monitoring system. These pump stations will not require a domestic water supply or sewage disposal.

Table 3-1 provides a summary of the pump station requirements for the new pipeline segment of the Project in Alberta and Saskatchewan.

**Table 3-1**  
**Pump Station Requirements – Alberta and Saskatchewan New Pipeline Segment**

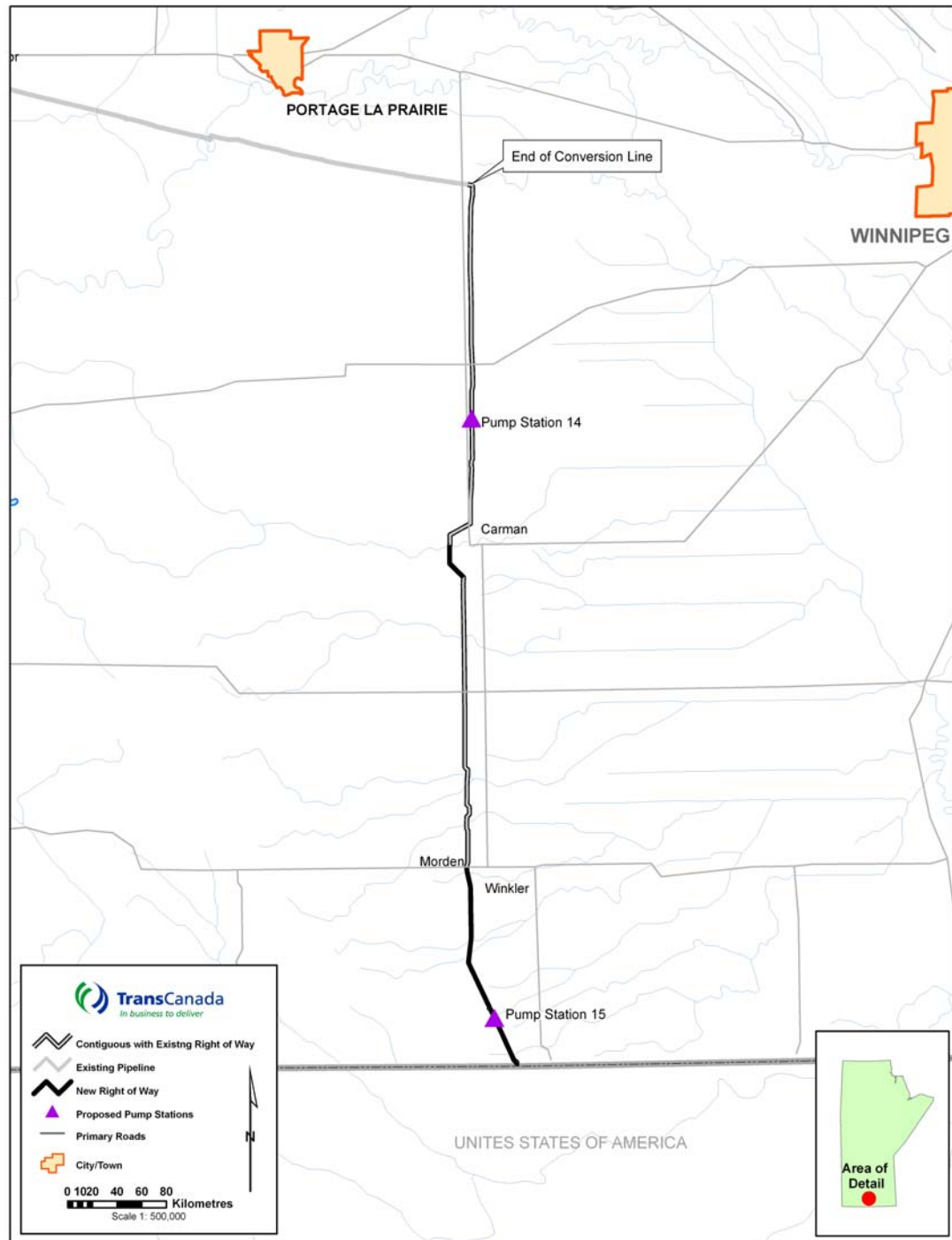
<b>Pump Station</b>	<b>Location (kilometre post)</b>	<b>Power Source</b>	<b>Number and Horsepower of Pump Units</b>
PS 0 (Hardisty)	0.0	Electric	Four 4,000 hp
PS 1	46	Electric	Three 4,000 hp
PS 2	105	Electric	Three 4,000 hp
PS 3	162	Electric	Two 4,000 hp
PS 4	231	Electric	Three 4,000 hp

### **3.2.2 Manitoba**

The Manitoba segment of the Project involves the construction and operation of 100 km of pipeline and two pump stations.

A map of the Manitoba segment of the Project is provided in Figure 3.

**Figure 3**  
**Existing and New Pipeline RoW and Pump Station Locations on the New**  
**Pipeline Segment in Manitoba**





***Pipeline:***

The new pipeline planned for the Manitoba segment of the Project consists of:

- 12 km of 864 mm (NPS 34) pipeline from TransCanada's existing Mainline Carman Sales Tap to a point just north of Elm Creek, Manitoba; and
- 88 km of 762 mm (NPS 30) pipeline from north of Elm Creek to the U.S. border.

Only 28 km of the approximately 100 km of RoW for this new pipeline segment are new RoW. The remaining 72 km are contiguous with Manitoba Hydro's Carman Sales Line RoW. New RoW is required to accommodate minor route deviations and reflects the absence of any existing RoW for much of the proposed route south of Winkler and Morden. This segment closely follows existing north-south roads and a reclaimed railroad RoW to a point near where the pipeline will interconnect with the U.S. portion of the Keystone Pipeline Project.

The pipeline will be constructed in a legally-surveyed 40 metre wide RoW, providing 15 metres of permanent RoW and up to 25 metres of temporary workspace. Additional temporary workspace may be required at road and watercourse crossings and at other locations where specialized construction may be needed.

It will not be necessary to install mainline valves or in-line check valves for this section of the Project because the pump stations have block valves that will serve to isolate the pipeline in the event of a system upset. A pipeline internal inspection launcher and receiver facility will be located at the junction of the NPS 34 and NPS 30 pipeline segments. A cathodic protection system, including the construction of anode beds, will be installed for the pipeline and pump stations.

***Pump Stations:***

Two new pump stations with electrically-driven motors will be required along the new pipeline segment in Manitoba. Construction of access roads and power lines will be required. The new power lines will be constructed, owned and operated by third party power providers.

Each pump station will require 1.5 hectares of land, which includes temporary work space required for construction.

Table 3-2 provides a summary of the pump station requirements on the new pipeline segment of the Project in Manitoba.

**Table 3-2**  
**Pump Station Requirements – Manitoba New Pipeline Segment**

<b>Pump Station</b>	<b>Location (kilometre post )</b>	<b>Power Source</b>	<b>Number and Horsepower of Pump Units</b>
PS 14	1165	Electric	Three 4,000 hp
PS 15	1228	Electric	Three 4,000 hp

### **3.3 Utilization of Existing Facilities - Saskatchewan and Manitoba**

Eight hundred and sixty-four km of TransCanada's existing Mainline Line 100-1 natural gas pipeline located in Saskatchewan and Manitoba, 612 km and 252 km in each province respectively, will be acquired and modified to transport crude oil.

A map of the existing natural gas facilities to be converted to oil transmission is provided in Figure 4.

#### ***Pipeline***

Existing natural gas pipeline facilities not required for the Project (i.e. mainline drips and tie-over piping) will be removed from service. Sales, receipt and metering facilities will be disconnected from the Mainline Line 100-1 and will be tied-in to other TransCanada Mainline natural gas pipeline facilities as required.

Modification activities will take place within the existing pipeline RoW with minimal temporary workspace requirements.

Mainline valves will be spaced at intervals along the pipeline to facilitate operational activities. Additional mainline valves will also be located on both sides of major river crossings to expedite closure in the event of a system upset.

#### ***Pump Stations:***

Nine new pump stations will be required on the converted pipeline facilities for oil transmission service. Pump Stations 5 to 11 will be located in Saskatchewan and Pump Stations 12 and 13 will be located in Manitoba.

Except for Pump Station 9, all pump stations will be co-located with existing TransCanada Mainline compressor station sites. Access will be provided through existing roads. In addition to existing power lines, new electrical and distribution lines will be constructed, owned and operated by a third party power provider.

Pump Station 9, located at kilometre post 716, will require 1.5 hectares of land, which includes temporary work space required for construction. An access road and a new

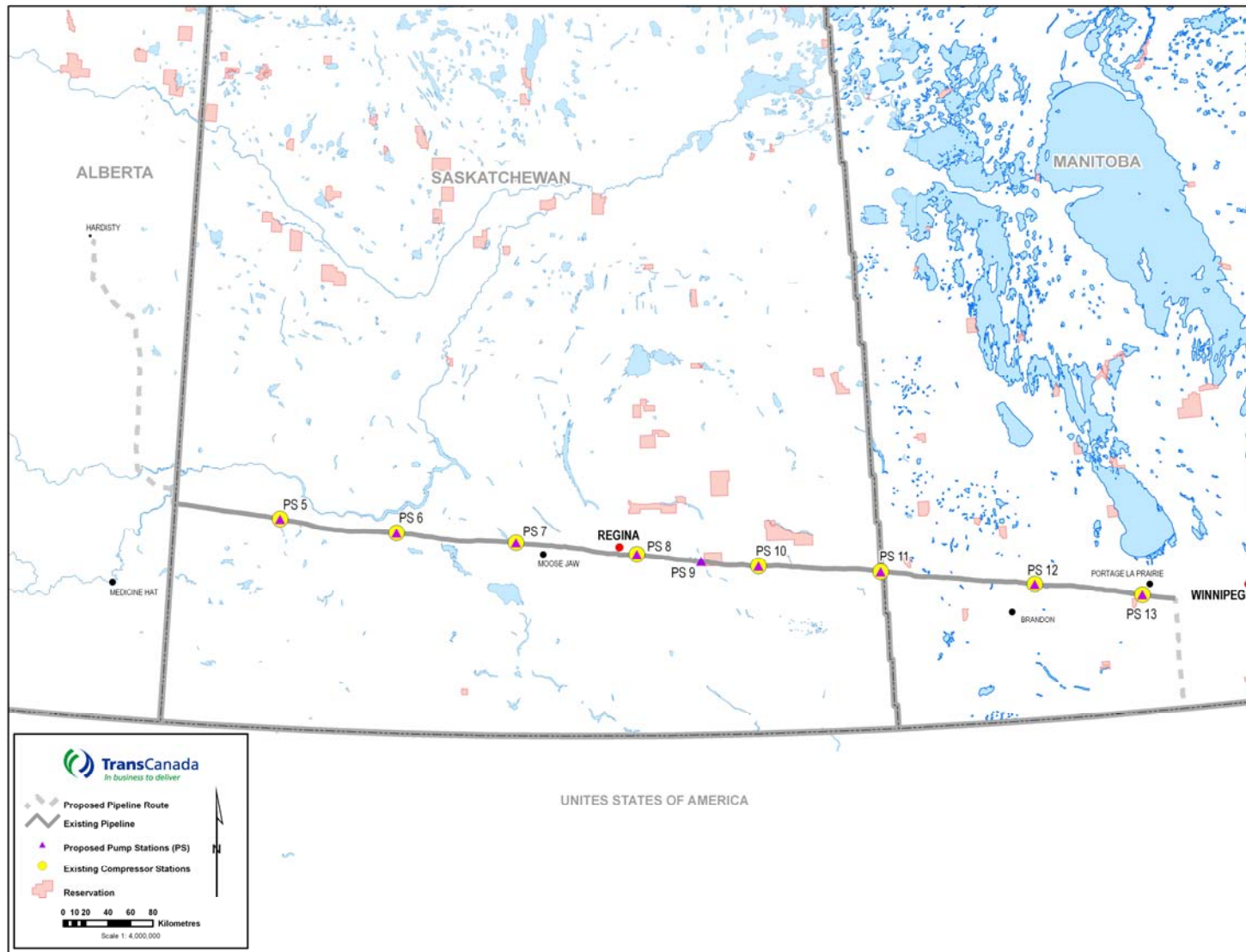
power line will also be required. The power line will be constructed, owned and operated by a third party power provider.

Table 3-3 provides a summary of the pump station requirements on the converted pipeline facilities.

**Table 3-3**  
**Pump Station Requirements - Saskatchewan and Manitoba Existing Pipeline Segment**

<b>Pump Station and Province</b>	<b>Location (kilometre post )</b>	<b>Power Source</b>	<b>Number and Horsepower of Pump Units</b>
PS 5 (SK)	351	Electric	Two 4,000 hp
PS 6 (SK)	451	Electric	Two 4,000 hp
PS 7 (SK)	554	Electric	Three 4,000 hp
PS 8 (SK)	659	Electric	Two 4,000 hp
PS 9 (SK)	716	Electric	Two 4,000 hp
PS 10(SK)	765	Electric	Two 4,000 hp
PS 11(SK)	870	Electric	Two 4,000 hp
PS 12 (MB)	978	Electric	Two 4,000 hp
PS 13 (MB)	1087	Electric	Two 4,000 hp

**Figure 4**  
**Existing Pipeline Conversion Section and Pump Station Locations in Saskatchewan and Manitoba**



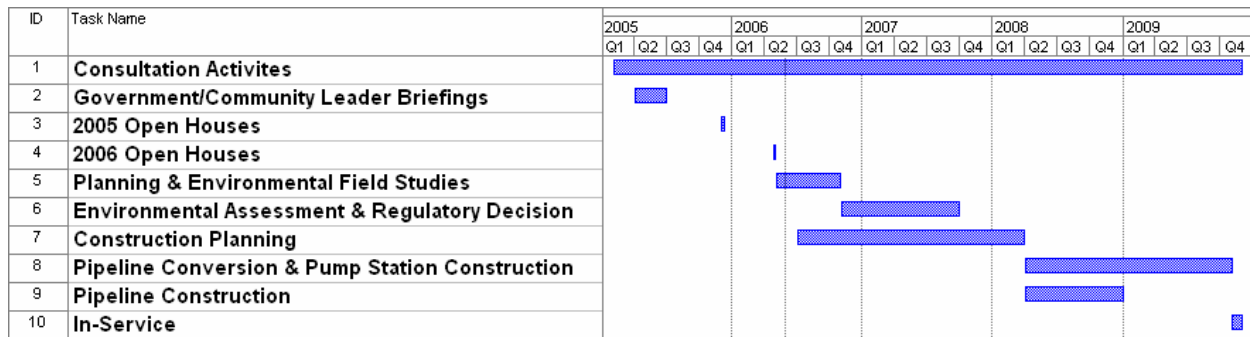
### 3.4 Construction and Operations

#### 3.4.1 Construction

The proposed in-service date of the Project is November 2009. In order to meet this date, construction of the Project is scheduled to begin in the second quarter of 2008.

Figure 5 shows the overall schedule for the Project.

**Figure 5**  
**Project Schedule**



#### 3.4.2 Operations

##### 3.4.2.1 System Protection and Controls

The pipeline will be controlled from a TransCanada Operations Control Center (OCC) located in Calgary, Alberta. The OCC will be staffed 24 hours per day, and utilize a computer-based Supervisory Control and Data Acquisition (SCADA) System to continuously monitor and control pipeline operations.

The pipeline control system will monitor pipeline flows, pressures, temperatures, and equipment status on a continuous basis. The SCADA system will alert the OCC Operator of significant operational changes of the pipeline system. Status and control information will be received and sent via the SCADA system to all mainline valves and pump stations. Regular preventative maintenance programs, such as aerial patrols, internal inspections and cathodic protection monitoring, along with pipeline markers at roads, rivers and streams, will be incorporated into the design and operation of the pipeline.

### **3.4.2.2 Leak Detection and Emergency Response**

A computer-based leak detection system (LDS) will be installed. It will meet or exceed industry standards. This system will report through the SCADA system to the OCC and will provide the OCC Operator with enhanced capabilities related to the early detection and location of leaks. Response to a leak indication will be coordinated from the OCC, with resources being supplied from the nearest pipeline maintenance location.

Keystone will have an emergency response plan that will meet or exceed regulatory requirements. The plan will ensure emergency response equipment, consisting of containment and recovery equipment for both water and land, is pre-positioned at strategic locations along the pipeline system. Keystone will work with emergency response personnel in the areas in which it operates to ensure appropriate communications, understanding, and cooperation. This will ensure that company emergency plans appropriately link into plans maintained by other affected agencies.

In addition, Keystone will implement TransCanada's Integrated Public Awareness (IPA) Program. The objective of the IPA program is to inform key members of the public of the location of facilities and operational activities in order to protect the public from injury, to protect or minimize impacts on the environment, to protect the facilities from damage by the public, and to provide an opportunity for on-going public awareness.

## **3.5 Abandonment**

The pipeline is expected to operate for 30 or more years. Decommissioning and abandonment activities will comply with all applicable federal and provincial regulatory requirements in force at the time.

## **4.0 PROJECT SETTING**

### **4.1 Alberta**

#### **4.1.1 Environmental Setting**

The proposed route through Alberta begins at Hardisty and heads in a south and easterly direction towards the Alberta-Saskatchewan border, crossing the border west of Burstall, Saskatchewan. An initiating pump station, four additional pump stations and 273 km of new pipeline will be constructed.

##### **4.1.1.1 Ecoregions**

From Hardisty, the proposed route travels south to Monitor, Alberta, traversing the Central Parkland subregion of the Parkland Natural Region. Central Parkland consists of

surficial deposits ranging from intermediate textured hummocky and ground moraine to fine textured glaciolacustrine deposits, and coarse outwash, kames moraine, and dune field materials. Moraines are widespread, with kames moraines locally extensive in the eastern portions. Numerous permanent streams, all part of the Saskatchewan River system, cut across the subregion. Numerous lakes are scattered throughout the subregion, as well as a wide variety of permanent wetlands. Many of the lakes and wetlands are slightly to strongly saline.

True parkland vegetation with continuous aspen forest broken by grassland openings is now very rare due to large scale clearing. Native vegetation is scarce due to the high productivity of soils for agriculture.

A small portion of the proposed route south of Monitor continues into the Northern Fescue subregion of the Grassland Natural Region. Northern Fescue is characterized by gently undulating terrain along its eastern edge. The regional topography consists of low relief ground moraine, and hummocky moraine. Areas of outwash and sand plains, dune fields, and fine textured glaciolacustrine deposits occupy a smaller but significant amount of the landscape. Stream drainage is part of the Saskatchewan River system and few stream valleys dissect the subregion. Those with permanent flow, however, are usually well incised.

The grasslands of this subregion are dominated by rough fescue and Hooker's oatgrass. Common forbs include prairie crocus, prairie sagewort, mouse-ear chickweed, wild blue flax, fleabane, northern bedstraw, harebell, and old man's whiskers.

The largest portion of the proposed route in Alberta, from New Brigden to Bindloss, and proceeding east to the Alberta-Saskatchewan border, extends into the Dry Mixedgrass subregion of the Grassland Natural Region. The regional topography is generally subdued with only a few minor uplands. The predominant landform is a low-relief ground moraine but there are significant areas of hummocky moraine, glaciofluvial outwash, glaciolacustrine sand plains, fine textured glaciolacustrine lake deposits and eroded plains. Although permanent streams are relatively rare, the ones that do exist are well defined. Drainage is to the Missouri River system via the Milk River, and to the Saskatchewan River system via all of the other rivers in the subregion.

The Dry Mixedgrass subregion has a predominance of both short and mid-height grasses. The most widespread are the mid-grasses, such as spear grass, western wheat grass and June grass. The short grass characteristics of moister sites include blue grama, northern wheat grass and western porcupine grass.

#### **4.1.1.2 Wildlife**

The wildlife of the Central Parkland subregion consists of grassland species such as upland sandpiper, Sprague's pipit and Baird's sparrow at the southern edge and become less common further north. Franklin's ground squirrel and piping plover range primarily in this subregion. Species characteristic of forested uplands include red-eyed vireo, red-tailed hawk, least flycatcher, Baltimore oriole, yellow warbler, white-tailed deer, American porcupine, northern pocket gopher and snowshoe hare. Wetlands are more common in the Central Parkland subregion than in the Grassland Natural Region and contain a wide variety of birds and amphibians.

No animal species are restricted in distribution only to the Northern Fescue subregion. Animal species composition is similar to that of the Mixedgrass subregion. Generally, species that favour lightly to moderately grazed Northern Fescue grassland also favour lightly grazed Mixedgrass areas. These include Baird's sparrow, Sprague's pipit, upland sandpiper and sharp-tailed grouse. Due to heavy grazing, species more typical of the Mixedgrass subregion increase, such as horned lark, chestnut-collared longspur and Richardson's ground squirrel. Species more characteristic of the Northern Fescue subregion than the Mixedgrass subregion include savannah sparrow and thirteen-lined ground squirrel.

#### **4.1.1.3 Fisheries**

The proposed route will cross a number of watercourses in Alberta. The majority of the watercourses are Class D or unclassified/unmapped watercourses,<sup>1</sup> except for the Red Deer River, the South Saskatchewan River, Sounding Creek and Loyalist Creek, which are Class C watercourses. The South Saskatchewan River has a Class A rating near the Highway 41 crossing. The South Saskatchewan River contains lake sturgeon, a cool-water fish species, as well as goldeye, walleye, sauger, and northern pike. The Red Deer River system provides cool water habitat for mountain whitefish, brown trout, rainbow trout, brook trout and bull trout.

#### **4.1.1.4 Land Use**

The primary land use for the area traversed by the proposed route in Alberta is agricultural production. The Parkland Natural Region is a productive agricultural zone. Most of the native vegetation has been replaced with barley, wheat, canola and oats. Areas not suitable for crop production are typically used for cattle grazing. Although much of the natural vegetation of the Dry Mixedgrass subregion has been replaced by agricultural crops, extensive areas of native rangeland remain that are managed primarily for grazing by domestic livestock.

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<sup>1</sup> As defined by the Alberta Code of Practice for Pipeline and Telecommunication Lines Crossing a Waterbody.



#### **4.1.2 Socio-Economic Setting**

A new pipeline terminal will be constructed near Hardisty in the Municipal District (M.D.) of Provost. This terminal will consist of large crude oil operational tanks and an initiating pump station. Several large crude oil pipeline terminals already exist at Hardisty and the industry is already well established.

In Alberta, the construction of the 273 km pipeline segment, the Hardisty operational tanks and the pump stations will generate approximately 91,000 person days of field employment during construction.

The proposed route traverses a region of Alberta that is sparsely populated. It does not cross, nor is it near to, any First Nation reserve land.

The proposed route traverses five municipalities with a total population of approximately 80,000. Eighty percent of the population is urban and 20% is rural. The City of Medicine Hat, with a population of approximately 56,000, accounts for the majority of the urban population and is the only urban center with a population greater than 5,000 people in the vicinity of the proposed route.

### **4.2 Saskatchewan**

#### **4.2.1 Environmental Setting**

The Saskatchewan component of the Project involves converting approximately 612 km of TransCanada's existing Mainline Line 100-1 natural gas pipeline to crude oil transmission service and the construction of three km of new pipeline. The conversion of the existing natural gas pipeline to crude oil service will require the installation of seven new pump stations. Six of these stations will be co-located within existing TransCanada Mainline facility sites and one will be a new greenfield station.

##### **4.2.1.1 Ecoregions**

Between Burstall and Mortlach, Saskatchewan, the proposed route traverses the Mixed Grassland ecoregion. This ecoregion represents the driest area of the Province as evidenced by the absence of trees and scarcity of wetlands and permanent water bodies. Its diverse landscapes include level, glacial lake plains; dune-covered, sand hill areas; the hilly, pothole country along the Missouri Coteau, and the rolling expanses of native grassland and intermittent "badlands" near the U.S. border. Aspen, which is characteristic in and around moist depressions in the Moist Mixed Grassland ecoregion, is generally absent here, except in valley bottoms and sand hill areas. The native grasslands are characterized mainly by wheatgrasses and speargrasses, and to a lesser extent, by blue grama grass, which gains prominence on extremely droughty soils or under high grazing

pressure. Shrub communities composed of snowberry and wolf willow are found in areas of favourable soil moisture.

From Mortlach to Richardson, the proposed route continues to traverse the Moist Mixed Grassland ecoregion. This ecoregion marks the northern extension of open grassland in the province, and is closely correlated with semi-arid moisture conditions and dark brown soils. Most landscapes are comprised of glacial till, and have short, steep slopes and numerous undrained depressions or sloughs, although several large, level glacial lake plains also occur. Native vegetation is confined largely to non-arable pasture lands, where speargrasses and wheatgrasses, along with deciduous shrubs such as snowberry, rose, chokecherry, and wolf willow are among the more common species.

Between Richardson and the Saskatchewan-Manitoba border, the proposed route continues into the Parkland Ecoregion. In its native state, this ecoregion is characterized by a mosaic of aspen groves and fescue grasslands. Along its southern boundary, aspen groves dot a predominantly grassland landscape, while the northern parts exhibit a more continuous cover of aspen. Locally, grasslands occupy the drier upper and south-facing slopes, while aspen is found on the moist lower, mid and north-facing slopes.

#### **4.2.1.2 Wildlife**

Wildlife species characteristic of the Mixed Grassland ecoregion include pronghorn antelope, white-tailed and mule deer, coyote, jackrabbit, Richardson's ground squirrel, horned lizard, prairie rattlesnake and western painted turtle. The only Canadian population of black-tailed prairie dog is found here. Characteristic birds include ferruginous hawk, long-billed curlew, yellow-breasted chat, chestnut-collared longspur, burrowing owl and sage grouse.

The Moist Mixed Grassland ecoregion is characteristic of prairie potholes or sloughs. Although less common than in the Parkland, they provide a valuable habitat for waterfowl. Mule deer and white-tailed deer are conspicuous wildlife species. Other notable species include coyote, red fox, badger, Richardson's ground squirrel and jackrabbit. The western meadowlark, eastern kingbird, yellow-headed blackbird, piping plover, sharp-tailed grouse and Franklin's gull are typical bird species found in the ecoregion.

The Parkland ecoregion consists of glacial till landscapes characterized by short, steep slopes and numerous, undrained depressions or sloughs that provide an ideal habitat for ducks and other waterfowl. White-tailed deer is the most prominent wildlife species. Coyote, hare, fox and Richardson's ground squirrel are also prevalent. Typical bird species include house wren, least flycatcher, western kingbird and yellow warbler.

#### **4.2.1.3 Fisheries**

No new watercourse crossings are required for this part of the proposed route through Saskatchewan.

#### **4.2.1.4 Land Use**

Agricultural production is the primary land use for the area traversed by the proposed route in Saskatchewan. In areas not suitable for crop production, the land is used for grazing of domestic livestock. All six of the proposed pump stations (five stations co-located in TransCanada's existing Mainline industrial sites and one greenfield pump station) are surrounded by land used for agricultural production.

### **4.2.2 Socio-Economic Setting**

The existing pipeline route traverses the traditional lands of Treaty 4 and touches upon Treaty 2 lands at the Manitoba border. There are no First Nations reserve lands within close proximity of the proposed route west of Regina. East of Regina to the Manitoba border, the proposed route passes near to the reserve lands of four First Nations and crosses the reserve lands of Carry the Kettle First Nation. Carry the Kettle First Nation has been consulted about the Project and has passed a Band Council Resolution agreeing to the terms of an authorization to be issued by INAC pursuant to the *Indian Act* enabling the transportation of crude oil through the existing Mainline Line 100-1 segment.

The existing pipeline infrastructure traverses 23 rural municipalities with a total population of approximately 265,000. Approximately 3% of the population is rural, with the cities of Regina, Moose Jaw and Swift Current accounting for the majority of the urban population.

In Saskatchewan, the construction of the three km pipeline segment, the existing pipeline conversion modifications, and the pump stations will generate approximately 28,000 person days of field employment during construction.

## **4.3 Manitoba**

### **4.3.1 Environmental Setting**

The Manitoba component of the Project includes both utilization of existing facilities and construction of new pipeline infrastructure. Approximately 252 km of TransCanada's existing Mainline Line 100-1 will be converted to crude oil transmission service. Approximately 100 km of new pipeline will be constructed from TransCanada's existing Mainline Carman Sales Station south to a point at the Canada/U.S. border. Four pump

stations will also be constructed in Manitoba; two co-located within existing TransCanada Mainline facilities and two greenfield stations.

#### **4.3.1.1 Ecoregions**

The proposed route from the Saskatchewan/Manitoba border to the Canada/U.S. border near Haskett, Manitoba is located in the Parkland ecoregion. Most of the ecoregion is now farmland, but in its native state was characterized by trembling aspen, oak groves, mixed tall shrubs and intermittent fescue grasslands. Open stands of trembling aspen and shrubs occur on most sites, and bur oak and grassland communities occupy increasingly drier sites on loamy black chernozemic soils. Poorly drained, gleysolic soils support willow and sedge species. This broad plains region, underlain by cretaceous shale, is covered by undulating to kettled, calcareous, glacial till with significant areas of level lacustrine and hummocky to ridged fluvio-glacial deposits.

#### **4.3.1.2 Wildlife**

Associated with the rougher, hummocky, glacial till landscapes are numerous tree-ringed, small lakes, ponds and sloughs, which provide major habitat for waterfowl. The ecoregion also provides a major breeding habitat for waterfowl and includes habitat for white-tailed deer, coyote, snowshoe hare, cottontail, red fox, northern pocket gopher, Franklin's ground squirrel and bird species, including sharp-tailed grouse and black-billed magpie.

#### **4.3.1.3 Fisheries**

No new watercourse crossings are required for that part of the proposed route through Manitoba which utilizes the existing TransCanada Mainline Line 100-1.

The proposed route for new pipeline construction from Carman, Manitoba south to the Canada/U.S. border near Haskett, Manitoba will require the crossing of 24 apparent small creeks or drainage water bodies. Forager species, such as fathead minnow and brook stickleback, can be found in these small creeks and drainages.

#### **4.3.1.4 Land Use**

Agriculture is the primary land use along the proposed route through Manitoba. This area possesses very productive agricultural land owing to its favourable climate and fertile, warm, black soils. It produces a wide diversity of crops, including spring wheat and other cereals, oilseeds, forages and several specialty crops. Dryland continuous cropping methods for spring wheat and other cereal grains are prevalent.

### **4.3.2 Socio-Economic Setting**

In Manitoba, consideration of socio-economic impacts will focus on the addition of two pump stations at existing TransCanada Mainline compressor station sites, 100 km of new pipeline construction south of Carman, and two greenfield pump stations located at km post 1 165 and km post 1 228.

The existing Mainline Line 100-1 and the new construction segment traverse 15 municipalities in Manitoba, which have a combined population of approximately 109,000. Approximately 30% of the population is rural, with Portage La Prairie, Brandon, Winkler and Morden accounting for the majority of the urban population.

In Manitoba, the construction of the 100 km pipeline segment, the existing pipeline conversion modifications, and the pump stations will generate approximately 40,000 person days of field employment during construction.

## **5.0 CONSULTATION**

### **5.1 Consultation Process**

Public consultation for the Keystone Project has been and will continue to be conducted on the basis of the principles of TransCanada's community relations program and TransCanada's Aboriginal Relations Policy. This program is designed to encourage stakeholders to learn about TransCanada's activities, be engaged in the consultation process, and be involved in addressing issues that may affect them.

TransCanada uses an informative and consultative approach to introduce a project to the public, landowners and other interested parties. All stakeholders identified as affected by a project are personally informed about it and consulted at an early stage. Any concerns or recommendations identified by stakeholders are carefully considered in the planning stages of the project. TransCanada and its representatives strive to deal with all stakeholders affected or potentially affected by a project in a fair, honest, consistent and timely manner. Using open communication and participatory community involvement practices, TransCanada also works to develop relationships with communities which meet corporate business needs, reinforce community objectives, and respect local cultures and value systems.

TransCanada's commitment to public consultation continues throughout the regulatory and construction phases of a project. Following construction, TransCanada's ongoing Integrated Public Awareness program is designed to ensure that stakeholders remain aware of operations.

The Keystone public consultation program was designed taking into account the nature, location and effects of the Project. Its focus is the establishment of ongoing, mutually

beneficial relationships with key stakeholders, including landowners, regulatory agencies, federal and provincial government agencies, municipal government officials, aboriginal groups, local community organizations and members of the general public.

## **5.2 Consultation Activities**

Stakeholder consultation was formally initiated when the Project was publicly announced on February 9, 2005. In conjunction with the public announcement of the Project, the Keystone website e-mail account ([keystone@transcanada.com](mailto:keystone@transcanada.com)) and a toll-free telephone number (1.866.717.7473) were established. These communication systems are monitored to ensure stakeholders have effective access to Project representatives that can address any questions, issues and concerns that may arise.

Consultation since the announcement of the Project has occurred through various activities, including:

- individual meetings with stakeholders, including elected officials and community leaders;
- discussions with various stakeholder groups;
- personal consultations with directly affected landowners;
- mail-outs; and
- open house events.

Immediately following the Project announcement in February 2005, approximately 1,315 letters were sent to directly affected landowners and tenants, community leaders and officials along the proposed route to inform them about the Project and to provide them with contact information should they have any questions or concerns.

During the period of February 21 to March 24, 2005, Keystone representatives traveled to each of the municipalities and rural communities in the three provinces along the proposed route to meet with community leaders. The objectives of the meetings were to:

- introduce the Project and document initial reactions, issues and concerns;
- begin the development of relationships between Keystone and the communities neighboring the new construction segments of the Project; and
- continue to foster existing TransCanada relationships with stakeholders along the segment of the Project where TransCanada's existing Mainline Line 100-1 will be converted from gas to oil transmission service.

Meetings were held with 213 community leaders, including county councillors and reeves, economic development officers, business managers and chief accounting officers of the local organizations operating the rural municipalities, towns and villages.

In June 2005, a mail-out was undertaken to update stakeholders on Project activities, and to provide information about the current route. There has been further dialogue and follow-up with a number of landowners and federal, provincial, municipal and band representatives and TransCanada operations personnel, on behalf of the Project, have continued to provide updates to interested stakeholders through visits to local communities and officials.

Eight open house events were held along the proposed route in November and December 2005. The purposes of these open houses were to:

- provide timely information about the Project;
- listen to and respond to issues and concerns of stakeholders; and
- develop and further relationships between Keystone and communities along the proposed route.

Letters of invitation to attend a Project open house were sent to landowners and tenants along the proposed route as well as to provincial and federal elected officials, community leaders and local officials.

Open houses were hosted at the following locations:

- Consort, Alberta (November 28, 2005);
- Oyen, Alberta (November 29, 2005);
- Burstall, Saskatchewan (November 30, 2005);
- Herbert, Saskatchewan (December 1, 2005);
- White City, Saskatchewan (December 5, 2005);
- Miniota, Manitoba (December 6, 2005);
- Carman, Manitoba (December 7, 2005); and
- Winkler, Manitoba (December 8, 2005).

In April and May 2006, six additional open houses were held to provide an opportunity for stakeholders to review proposed changes to the route and alternatives based on

feedback received to that date, and to provide information on planned pump station facilities. Keystone representatives also visited landowners in close proximity to proposed pump station sites to provide information about the Project and to extend an invitation to attend an open house hosted in or near their community. These additional open houses were hosted at the following locations:

- Hardisty, Alberta (April 25, 2006);
- Bindloss, Alberta (April 26, 2006);
- Swift Current, Saskatchewan (April 27, 2006);
- Grenfell, Saskatchewan (May 2, 2006);
- Brookdale, Manitoba (May 3, 2006); and
- Winkler, Manitoba (May 4, 2006).

In total, 14 open house events have been held to date. Approximately 385 stakeholders, including landowners and community leaders, attended the open house events held in November and December 2005. Approximately 140 stakeholders attended those events held in April and May 2006. The community leaders who attended the open houses included Members of Legislative Assemblies, Members of Parliament, mayors, economic development directors, chamber of commerce presidents and executive directors, municipal and emergency response representatives, staff from various regulatory agencies, local power company representatives, and local media representatives.

### **5.3 Results of Public Consultation**

Consultation activities have demonstrated that TransCanada is a well-recognized company throughout the Project area and generally has positive relationships with all potentially impacted stakeholders. Keystone, as a wholly-owned subsidiary of TransCanada, is a beneficiary of this reputation and is committed to maintaining it. Overall, the reception to and support for the Project from elected officials, local community leaders, and landowners across Alberta, Saskatchewan and Manitoba has been good to excellent.

#### ***Existing Pipeline Facilities Segment:***

The principal themes discussed with community leaders were continued tax revenue, general awareness about the Project, appreciation of the information provided, and TransCanada's positive reputation and relationship with their communities. Landowners generally responded with calls to update mailing addresses and other contact information and to seek clarification regarding the route and potential for activity on their land. No issues with respect to the Project have been raised by this stakeholder group to date.



***New Pipeline Facilities Segment:***

Community leaders were not as familiar with TransCanada as those along the existing pipeline facilities segment. However, they recognized TransCanada as a corporation with a good reputation and were generally supportive of the Project. The principal themes discussed during meetings with these leaders were economic development opportunities, tax revenue potential, general awareness about the Project, appreciation of the information provided and TransCanada's reputation. Follow-up was requested by community leaders on key milestones, such as landowner consultation, route refinement and construction activities. Keystone representatives will provide additional information as the Project moves forward.

Landowners along this section were positive in their reaction to the Project and displayed a relatively sophisticated knowledge of pipeline construction and operation. Landowners were primarily interested in easements and compensation, as well as what to expect in terms of pipeline construction activities on their land.

***Open House Events:***

Keystone representatives received positive feedback at all of the open house events. Many attendees indicated that they were "looking forward" to the Project and to the benefits their communities would realize with further development. Topics discussed at the open houses included: the proposed route, preservation of native prairie habitat, pipeline integrity, disturbance to local aquifers, creation of and compensation for easements, local community benefits, infrastructure type and location, and Canada's role in the North American and global energy industry.

A specific concern about the potential impact of the Project on the Winkler Aquifer was noted during the second open house in Winkler, Manitoba (May 4, 2006). TransCanada met with the interested parties about this issue and is working with them to address their concerns.

**5.4 Commitment to Ongoing Consultation**

Keystone will continue with its pre-application public consultation efforts until it files the Keystone Pipeline Project Application with the NEB in late fall 2006. Keystone will in this Application provide comprehensive documentation of the key consultation activities. Regular correspondence, communication and consultation with stakeholders will continue through the regulatory, construction and operations phases of the Project.

## **5.5 Aboriginal Consultation**

No construction activity is planned on reserve lands. A search of land claim settlements was done for all new RoWs to ensure no relevant settlement had been submitted in Alberta or Manitoba.

### **5.5.1 Carry the Kettle Indian Reserve IR 76**

Approximately 15 km of the Mainline Line 100-1 facilities to be converted to crude oil service cross the Carry the Kettle (CTK) Indian Reserve IR 76. TransCanada's existing easement agreement with Carry the Kettle (CTK) Indian Reserve for the Mainline Line 100-1 does not provide for crude oil transmission. After the Project was announced in February 2005, TransCanada representatives met with the CTK First Nation to outline and answer questions about the Project and to explain the need to amend or replace the existing easement agreement.

Subsequent discussions between TransCanada representatives, CTK First Nation and INAC resulted in a Band Council Resolution, signed on April 21, 2006, granting permission to change the product to be transported across the reserve. Both the Band Administrator and the Chairperson of the Elders Council have indicated that the community of CTK First Nation is fully supportive of the Project.

Keystone also conducted an open house in the community on June 15, 2006 as part of on-going communication with the community and their administration. TransCanada will continue communications with the CTK First Nation and make efforts to extend employment and business opportunities in accordance with TransCanada's Aboriginal Policy and business practices.

### **5.5.2 Other Aboriginal Consultation**

Shortly after the Project was publicly announced, TransCanada was contacted by a representative of Treaty Four to discuss the Project. An overview of the Project was provided along with a review of existing TransCanada operations in the Treaty Four area. Keystone understands that Treaty Four does not have any significant issues or concerns with the Project, with their only identified interest being related to potential economic opportunities. Keystone will continue to communicate with Treaty Four as the Project progresses.

Keystone has also initiated its notification process with the Long Plain First Nations Band to provide information on the proposed Project. Notification will also be sent to the Manitoba Métis Federation. A Land Claim Settlement search was done for all new RoW to ensure that no other potentially affected First Nation has put forward a settlement claim along the proposed route.

## **6.0 SCOPE OF PROJECT AND SCOPE OF ASSESSMENT**

Keystone submits that the following physical works and activities should be included within the scope of project for the purposes of environmental assessment pursuant to the requirements of the *CEAA* and the *NEB Act*:

- acquisition, conversion and operation of TransCanada's existing Mainline Line 100-1 pipeline facilities in Saskatchewan and Manitoba;
- construction and operation of new pipeline for the Project in Alberta, Saskatchewan and Manitoba;
- construction of an initiating pump station and 15 additional pump stations along the proposed route;
- installation of valves; and
- construction and use of roads to access new pump stations not co-located at existing TransCanada Mainline facilities.

Construction and operation of new power lines and interconnects is required to supply or augment existing power to planned pump stations. However, these are distinct physical works to be constructed, owned and operated by third party power suppliers pursuant to a regulatory regime distinct from that governing the construction and operation of the Project. Accordingly, such physical works should be considered only in the context of cumulative effects assessment.

Keystone further submits that the scope of assessment undertaken, including consideration of cumulative environmental impacts, should take into account and reflect the difference between activities required for the construction and operation of new facilities on new or existing RoWs and those required for conversion of TransCanada's existing Mainline Line 100-1 facilities. Specifically, the amount and type of disturbance associated with conversion of existing facilities is significantly less than that associated with new construction and the potential for adverse impacts is correspondingly reduced.

## **7.0 PROJECT STATUS**

The commercial component of the Project has been developed through an open, competitive, and collaborative process between TransCanada, Keystone, and the oil and gas producing, refining and shipping communities. Initial discussions with certain Canadian petroleum producers commenced in late 2003, progressed through 2004 with broader collaborative efforts, and culminated in a public announcement of the Project in February 2005.

In April 2005, TransCanada solicited non-binding expressions of interest in the Project from potential shippers. Favourable interest in the Project prompted TransCanada to continue with development steps which led to a binding open season being conducted between November 1, 2005 and December 4, 2005. On January 31, 2006, TransCanada announced that Keystone had secured firm, long-term contracts with shippers for transportation totalling approximately 54 055 m<sup>3</sup>/d (340,000 bbl/d) in support of the Project and that it would proceed with regulatory applications to obtain necessary approvals.

On June 5, 2006, TransCanada and Keystone filed a joint application with the NEB in which the parties seek approvals under section 74 of the *NEB Act* for TransCanada to sell and Keystone to purchase the segment of TransCanada's existing Mainline Line 100-1 which will be converted to crude oil transmission. The parties requested that the Board determine the application no later than the first quarter of 2007 to enable Keystone to continue work necessary to meet a Project in-service date in the fourth quarter 2009.

Keystone intends to file a second application with the NEB in late 2006 seeking other approvals required for the Project, including a Certificate of Public Convenience and Necessity under section 52 of the *NEB Act*. Keystone is proceeding through the summer and fall of 2006 with field studies, environmental and socio-economic assessments, engineering designs, and other activities necessary to support this application. Pending the outcome of regulatory proceedings, Keystone expects to commence construction of the Project in the second quarter of 2008 and complete the work in late 2009.

## **8.0 PROJECT CONTACT INFORMATION**

Any questions about the Project or the information in this PIP, or requests for additional information, should be directed to the following Keystone representatives:

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